



Report To:	Cabinet
Date:	25 September 2024
Subject:	Local Council Tax Support Scheme (Consultation) 2025/26
Purpose:	To agree consultation options for the local Council Tax Support scheme, 2025/26
Key Decision:	N/A
Portfolio Holder:	Councillor Sandeep Ghosh, Portfolio Holder for Finance
Report Of:	Christine Marshall, Deputy Chief Executive, Corporate Development and S151
Report Author:	Sharon Hammond, Head of Revenues and Benefits
Ward(s) Affected:	All
Exempt Report:	No

Summary

Council Tax Support provides financial assistance through a reduction in Council Tax bills for households on a low income or receiving certain benefits.

The Council is required to review its local Council Tax Support scheme each year and consult on its scheme proposals for the forthcoming year. Pension age residents are regulated by national rules in England and are not affected by any changes in this review.

This report provides an update on the current scheme and presents scheme modification options for the Boston Borough Council working age Council Tax Support scheme to take forward to consultation with major preceptors and the public, with a view to helping the council decide its local scheme for 2025/26.

Recommendations

That Cabinet

- i. Considers the modification options presented in sections 6 of this report, and
- ii. Confirms the option(s) it wishes to consult on, and
- iii. Approves consultation, and delegates oversight of the consultation approach to the Section 151 Officer in conjunction with the Portfolio Holder for Finance.

Reasons for Recommendations

This will enable a period of consultation with major preceptors and the general public on Cabinet's preferred scheme option(s) for its 2025/26 Council Tax Support Scheme.

Following a consultation period, a report, including the consultation feedback, will come back to Cabinet to make its final recommendation to Full Council in respect of the scheme for 2025/26.

Other Options Considered

Do nothing – This option is discounted as Cabinet has previously indicated its intention to carry out a more fundamental review of its scheme for 2025/26.

Replace the default, means tested scheme with an income banded scheme – this alternative approach has been discounted as part of the fundamental review process.

1. Background

- 1.1 This report updates Cabinet on the performance of the current Council Tax Support (CTS) scheme and provides details of the fundamental review in respect of 2025/26.
- 1.2 Boston's scheme currently provides for a maximum 75% support. Since its introduction in 2013, some changes to the scheme have been made, including restriction to Band D Council Tax liability, and discretion to assess Universal Credit earnings claims every three months. In 2024/25, a new class for Care Leavers was introduced.
- 1.3 Cabinet previously recognised the need for fundamental review of the scheme, with the current scheme now dated, being relatively unchanged since its introduction in 2013, and, having regard to the rollout of Universal Credit which replaces legacy benefits (including Housing Benefit).
- 1.4 This report provides information on the scheme review, and the options for 2025/26.
- 1.5 Regulations continue to prescribe the rules for calculating entitlement for pension age Council Tax Support schemes.

2. 2024/25 Current Scheme Expenditure and Caseload

2.1 The total caseload and expenditure, at July 2024, is:

2024/25	Number of live claims	Amount of CTS
Working Age	2,703	£2,155,294.78
Pensioner	1,997	£2,224,798.49
Total	4,700	£4,380,093.27

2.2 A caseload comparison of data from 2023 shows a small overall increase of 190 live claims, being a reduction of 2 in pensioner group and an increase of 192 Working Age group, which may reflect the economic pressures on households.

2.3 The cost of Council Tax Support is shared across major preceptors as part of the collection fund accounting process:

Current Council Tax Support 2024/25	BBC	LCC	PCC
£4,380,093.24	£450,930.62	£3,294,366.52	£634,796.13
	10.30%	75.21%	14.49%

2.4 Whilst this report focuses on the scheme for working age claimants, it is also timely to update Cabinet on the Ministry for Housing, Communities and Local Government (MHCLG) intentions for a national Pension Credit promotion campaign and awareness raising. MHCLG report that nationally 880,000 households are missing out on financial support worth on average £3,900 per year, and that entitlement to Pension Credit will lead to other additional benefits, including winter fuel payments, reductions in electricity bills, free TV licence for over 75, help with housing costs through Housing Benefit, and eligibility for Council Tax Support. MHCLG has indicated it considers local authorities are best placed to support the preparatory work and more details will be forthcoming.

It would be reasonable to assume an increase in CTS pension caseload and expenditure as a result of increased Pension Credit take-up.

3. Fundamental Review

3.1 Following Cabinet's decision for a fundamental review of the scheme to be carried out in 2024, Visionary Network Ltd (and its partners Inbest Ltd and Ascendant Solutions Ltd) were appointed in March 2024 to support S&ELCP with a CTS scheme review for each council, to carry out option modelling and provide evaluation of the financial impact of potential changes to each council's scheme.

3.2 The fundamental review is timely recognising that the current scheme is now dated, being relatively unchanged since its introduction in 2013. Over time, its original alignment with Housing Benefit has moved further away as a result of welfare reform and the roll out of Universal Credit, and, having regard to the Department for Work and Pensions (DWP) latest 'Move to Universal Credit' program currently underway, we are likely to see more residents drawn into CTS. The objectives of the review

included scheme modernisation and simplification for the customer and for operational administration.

- 3.3 The review considered the different scheme types and their prevalence in local authorities, demonstrating that whilst almost a third are now income banded schemes, two-thirds presently remain as default (means-tested) schemes, like BBC's current scheme. The review did not identify compelling reason to move to an income banded scheme at this time, and therefore modelling of modification options for the 2025/26 scheme are based on the default scheme approach.
- 3.4 The data analysis and scheme option modelling carried out by Visionary Network and its partners is based on a snapshot of caseload data from May 2024. It should be recognised that caseload will fluctuate continuously as new claims and changes are constantly being processed. Any inconsistencies arising through the data analysis are being explored and the figures provided should be recognised as indicative.
- 3.5 The data analysis and modelling is based on assessing the impact of changes on current caseload. Whilst it can't predict future entitlements, it provides insight to the potential effect on existing recipients. The scheme modelling does not include any provisions for 2025/26 increases in Council Tax or for DWP up-ratings, or for any increase in CTS that may arise through additional take-up or increased entitlement, generated by the economy or by the governments Move to Universal Credit and Pension Credit take-up programmes.
- 3.6 The need for administrative efficiency and increased automation has been a further consideration for the future scheme, in particular recognising the significant increase in the volumes of Universal Credit related records. Schemes must be compatible with current software, as any significant modifications may require additional software features outside of current agreements, incurring additional costs.
- 3.7 Council Tax Support schemes must be affordable, and in reaching decisions there must be consideration to how the scheme will be funded. CTS schemes cannot be changed mid-year.
- 3.8 The final scheme will benefit from simplified rules, developed by Visionary Network Ltd, in plain English. In turn this will make schemes easier to understand, both for customers to access and understand the scheme, and for staff who administer it.

4. Caseload Analysis

- 4.1 A high volume of complex data has been analysed by Inbest Ltd (partner of Visionary Network Ltd). For the purpose of analysis all records have been anonymised to prevent identification.
- 4.2 Table 1, shows the make-up and distribution of CTS across Working Age (WA) household types, using data from May 2024. The data shows almost 75% of the WA caseload receive the current scheme maximum, 75%, support.

Table 1

Household Type	Working Age Caseload	Of which on Max 75% CTS	Current Expenditure
Single	1196	990	£957,743
Single with Child(ren)	845	549	£578,617
Couple	280	214	£283,553
Couple with Child(ren)	264	178	£246,939
	2585	1931	£2,066,852
		74.70%	

- 4.3 An analysis of the correlation between households currently receiving Council Tax Support and the level of Council Tax arrears in financial 2023/24 is shown in Table 2.

Table 2

Household Type	Working Age Caseload	With 2023/24 arrears	Amount of 2023/24 arrears
Single	1196	288	£88,562
Single with Child(ren)	845	342	£112,604
Couple	280	64	£17,219
Couple with Child(ren)	264	84	£33,069
	2585	778	£251,454
		30.10%	

- 4.4 Table 2 does not include households currently on CTS with arrears in earlier years, nor does it include arrears for households that received CTS at some point previously but are not currently in receipt of CTS. The actual overall position of arrears in relation to CTS households will therefore be greater than indicated.
- 4.5 The data shows that almost 55% of the amount of arrears in CTS recipient households is in households with children.

5. Establishing a Council Tax Support scheme for 2024/25

- 5.1 For each financial year, the billing authority must consider whether to revise its scheme or replace it with another scheme. Council Tax Support schemes cannot be changed mid-year.
- 5.2 The Local Government Finance Act requires that before a scheme can be adopted by the billing authority, it must: -
- Consult any major precepting authority which has power to issue a precept to it,
 - Publish a draft scheme in such manner as it thinks fit, and
 - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

6. 2025/26 Scheme Modification Option Proposals for Consultation

- 6.1 The following modification options have been developed for Cabinet consideration in line with the preferences expressed by Members through review meetings. This will

retain the default (means tested) scheme approach, which uses premiums and allowances (as uprated by DWP) as a measure of claimant financial need based on household composition, age and if anyone in the household has a disability.

- 6.2 All options will continue to protect War Pensioners and Care Leavers.
- 6.3 The options will provide for an incremental approach to modifying the current scheme, allowing for review after the first full year of scheme performance (i.e. 2025/26 scheme performance reviewed in 2026/27) and to consider if any further modifications are needed. Schemes cannot be changed mid-year.

A. Modify the maximum CTS amount.

The scheme currently provides for a maximum of 75% CTS support for all household types.

According to recently published DWP estimates, 30% of children in Boston Borough live in relative low-income households. There are currently 1,109 households with children in receipt of CTS, of which 727 receive the current maximum 75% CTS award.

Options i) and ii) below provide for increased support for households with children, demonstrating the council's commitment to respond positively to the concerns over child poverty.

- i) Increase the maximum CTS for households with children to 100%, and to 85% for other households.**
- ii) Increase the maximum CTS for single households with children to 90%, for couples with children to 80%, and retain the current level of support at 75% for other households.**

B. Remove the earnings disregard for Universal Credit claims.

'Earning disregard' is the income ignored when assessing eligibility for benefits, letting people keep more of their earnings.

The Department for Work and Pensions will already have regard to earnings and disregards in its calculation of the Universal Credit award, however, under its current scheme, Boston is then applying a further earnings disregard in its calculation of Council Tax Support for Universal Credit recipients.

The current scheme requires a manual process to apply a disregard to CTS calculations, based on the level of earnings.

This change will see the full amount of the UC award included in the CTS calculation.

This will make the scheme fairer and will improve administrative efficiency in the manual processing of high volumes of Universal Credit records each month.

Impact

The indicative net impact on the cost of the scheme for modification options:

A i) Increase the maximum CTS for households with children to 100%, and to 85% for other households.

A ii) Increase the maximum CTS for single households with children to 90%, for couples with children to 80% and retain the current level of support at 75% for other households.

and

B. Removal of the earnings disregards,

is shown in the table below: -

Household Type	Option A i)	Option A ii)
Families	100%	
Single/Couples	85%	75%
Single with Child(ren)		90%
Couples with Child(ren)		80%
<hr/>		
Indicative Net Increase /(Reduction) in scheme cost	£383,856	£78,482

The cost of this increase would be shared between the major precepting authorities in the following proportions (based on 2024/25 % split): -

Option	Indicative net change in CTS expenditure	Preceptor Share		
		BBC	LCC	PCC
		10.30%	75.21%	14.49%
A i)	£383,856	£39,537.14	£288,697.86	£55,620.69
A ii)	£78,482	£8,083.65	£59,026.31	£11,372.04

C. Introduce a standard £10 rate for non-dependant deductions.

Deductions in the current scheme are based on a DWP scale of deductions (currently ranging from £4.10 to £15.10) dependent upon the non-dependants' earnings and circumstances.

This change would remove the scale of deductions and apply a standard £10 weekly deduction for each non-dependent.

Exceptions would continue to apply for households meeting certain criteria, including where claimant or partner is receiving Personal Independence Payment, Disability Living Allowance or Attendance Allowance, or where the non-dependent is over 18 on certain benefits.

This change will remove the need to obtain evidence from non-dependants, in turn simplifying the claim process for the customer, and allowing improved administration efficiency.

Impact

Data analysis indicates that changes exceeding £1 per week, would negatively impact 163 claimants, and positively impact 25, resulting in a marginal reduction in the overall CTS expenditure. A small number of claimants, around 52, would lose entitlement.

D. Introduce a minimum weekly award of £1.00 per week.

Under the current scheme CTS will be awarded and Council Tax bills updated and issued even where the CTS amount is a few pence per week.

Many small changes, especially those under £1.00, can make it difficult for Council Taxpayers to keep track of their claims. By streamlining administration, we aim to simplify the process, reducing confusion for claimants and ensuring a smoother, more efficient experience for managing their support.

This change would mean if entitlement to CTS was below £1 per week, there would be no CTS award made.

Cumulative data modelling on the first 3 modification options, A-C, above, indicates 20 people will be affected by this change, losing a total of £602 CTS support (average loss £30 per year per household).

E. Reduce Upper Capital Limit

Capital in this context is savings and other investments, including cash, stocks and shares, property other than the main home.

There are two relevant Capital limits in the calculation of Council Tax Support: -

- i. Lower Capital Limit (LCL) – this is the amount that a claimant can have in savings and investments before it affects the amount of CTS.
- ii. The Upper Capital Limit (UCL) – this is the point at which claimants cannot claim CTS.

Boston has retained LCL of £6,000 and UCL £16,000 since CTS was localised in 2013. Claimants that have capital between £6,000 and £16,000 will have an assumed income of £1 for every £250, or part thereof, (known as 'tariff income') as part of the CTS calculation.

It should be recognised that not all capital is accessible, and households with a modest level of capital may still need support.

Reducing the UCL would mean that households with capital in excess of the new UCL would not be entitled to CTS.

Data indicates that 20 households may lose CTS if the UCL was reduced from £16,000 to £10,000.

- F. Remove the current three-month review period on Universal Credit earnings cases and replace with a threshold for earnings changes of**
- £30 per week (£130 per month) or
 - £50 per week (£217 per month)
- with discretion.**

The national living wage is now £11.44 per hour, and the Real Living Wage £12 per hour. This means that presently if someone works just over 1 hour extra per week they could lose some of their CTS.

This change will result in losers as well as gainers, as households who earn less would no longer automatically get more CTS. This issue would be dealt with through the provision for discretion, enabling CTS claims to be updated on a case-by-case basis, through customer request or as part of operational checks.

This change would reduce the number of changes applied to CTS, and in turn reduce the frequency of rebilling and re-profiling of instalments providing households with more certainty for budgeting, and reducing the costs associated with the re-issue of additional bills.

As this change would apply to future decisions it cannot be costed other than to recognise the current level of support will remain unchanged in more cases.

G. Introduce a Discretionary Exceptional Hardship Payment Fund

Recognising that within any scheme there may be hardship, the council may wish to put aside a specific budget for payments, with focus on those hard cases that need additional help. This approach would include signposting to other sources of help and to support customers with income maximisation opportunity.

As a discretionary scheme, the full cost of such payments will fall on Boston Borough Council.

H. Update the 2025/26 scheme in line with DWP uprating.

This would be consistent with previous years, aligning the scheme with the DWP's annual update of allowances and premiums for 2025/26.

- 6.4 Cabinet are asked to consider which of the option(s) A – H above they wish to consult on. The results from consultation will be reported back to Cabinet later in the year for its final scheme recommendation to Full Council, with the final decision for 2025/26 decided by 11th March 2025.

7. Conclusion

- 7.1. The fundamental review has provided Boston BC with the opportunity to look at its current scheme and consider how it wishes to better support residents in the future, having regard to affordability. Engagement through the review has provided Members with information on scheme approaches and modifications, and the options proposed from the steer provided will enable consultation on proposals that provide a balance of recognising the need for increasing support for families, and the need for administrative simplification.

7.2. The options decided by Cabinet will require consultation with major preceptors, the general public and other interested stakeholders, with results helping to inform the council on its final scheme decision for 2025/26.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

None

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

None

Data Protection

None

Financial

There are no financial implications as a direct result of this report which is seeking approval to consult on options. Following consultation, a further report will be brought back to Cabinet for a final scheme decision.

Risk Management

None

Stakeholder / Consultation / Timescales

Consultation with major preceptors and other interested parties will be carried out based on Cabinet's decision on the proposals set out in the report.

Reputation

None

Contracts

None

Crime and Disorder

None

Equality and Diversity / Human Rights / Safeguarding

The existing Council Tax Support scheme continues to be delivered on the basis of the DWP's previous means tested Council Tax Benefit scheme regarding protection for vulnerable groups, including children and the disabled. The options for consultation do not change this approach.

Health and Wellbeing

None

Climate Change and Environmental Implications

None

Acronyms

CTS – Council Tax Support

DWP – Department for Work and Pensions

MHCLG – Ministry for Housing, Communities and Local Government

LCL – Lower Capital Limit

UCL – Upper Capital Limit

Appendices

None

Background Papers

None

Chronological History of this Report

A report on this item has not been previously considered by a Council body.

Report Approval

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